

25 November 2016

Kimberley Brown
ASX Compliance Pty Limited
Level 4, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Kimberley,

Response to ASX query – Appendix 4C

Skyfii Limited (**Skyfii**, **SKF** or **the Company**) refers to your letter dated 24 November 2016.

Using the numbering in your letter, we respond to your questions as follows:

1. *Does SKF expect that it will continue to have negative operating cash flows for the time being and, if not, why not?*

The Company expects to continue to have negative operating cash flows for the time being, which is commonplace for many early stage, growing businesses. Negative cash flows are built into the Company's budget and the Board continues to monitor cash flows to ensure the Company remains positioned to achieve its business objectives.

2. *Has SKF taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?*

The Company has a strong track record of raising capital as required to support its activities and is in the advanced stages of negotiating and settling a capital raising (taking the form of a placement) to raise between A\$3million to A\$4million. This proposal is not sufficiently advanced as to require or allow more detailed disclosure at this point in time.

3. *Does SKF expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?*

The Board expects to be able to continue its operations and to meet its business objectives. As mentioned above, the Company has been able to raise capital in the past as required to support its activities and is confident that it has the ability to raise working capital as required.

4. *Please provide any other information that SKF considers may be relevant to ASX forming an opinion on whether SKF is in compliance with Listing Rule 12.2 (a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing).*

In relation to Listing Rule 12.2, the adequacy of the Company's financial position is dependent on the success of future fund raising activities. The Board is confident of obtaining further funding as outlined in Item 2 above.

5. *Please confirm that SKF is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.*

The Company is in compliance with the ASX Listing Rules, in particular listing rule 3.1 and there is no information that should be given to ASX about the Company's financial condition in accordance with that Rule that has not already been released to the market.

Skyfii Limited
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Darlinghurst, Sydney NSW 2010
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Skyfii Limited | ABN 20 009 264 699



6. *Please confirm that SKF's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of SKF with delegated authority from the board to respond to ASX on disclosure matters.*

The Company confirms that its responses to the questions above have been authorised and approved by the Board of the Company.

Yours faithfully
Skyfii Limited

A handwritten signature in brown ink, appearing to read "H Roberts", written over a horizontal line.

Heath Roberts
Company Secretary



24 November 2016

Mr Heath Roberts
Company Secretary
Skyfii Ltd
Level 1
34-36 Oxford Street
DARLINGHURST NSW 2010

By email:

Dear Mr Roberts

Skyfii Limited ("SKF"): Appendix 4C Query

I refer to SKF's Appendix 4C quarterly report for the period ended 30 September 2016 lodged with ASX Market Announcements Platform and released on 31 October 2016 (the "Appendix 4C").

ASX notes that SKF has reported:

- negative net operating cash flows for the quarter of \$1,020,000;
- cash at the end of the quarter of \$1,538,000; and
- estimated cash outflows for the next quarter of \$2,029,000.

It is possible to conclude, based on the information in the Appendix 4C, that if SKF were to continue to expend cash at the rate indicated by the Appendix 4C, SKF may not have sufficient cash to continue funding its operations. In view of that, ASX asks SKF to respond separately to each of the following questions and requests for information:

1. Does SKF expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has SKF taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does SKF expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please provide any other information that SKF considers may be relevant to ASX forming an opinion on whether SKF is in compliance with Listing Rule 12.2 (a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing).

5. Please confirm that SKF is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.
6. Please confirm that SKF's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of SKF with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 12:00pm AEDT on 25 November 2016. If we do not have your response by then, ASX will have no choice but to consider suspending trading in SKF's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, SKF's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail or by facsimile to (02) 9241 7620. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to SKF's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that SKF's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in SKF's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and

- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Kimberley Brown'.

Kimberley Brown
Principal Adviser, Listings Compliance (Sydney)